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TAGS: [ECPS](#) [PGOV](#) [UP](#)  
SUBJECT: TELECOM REGULATOR DENIES 3G LICENSES TO MOBILE OPERATORS;  
UKRTELECOM TO BENEFIT

Sensitive but Unclassified. Not for Internet Distribution.

11. (U) Ukraine's National Communications Regulatory Commission (NCRC) on November 2 denied applications to issue next-generation, 3G licenses to Ukraine's top four mobile phone operators. With the NCRC refusal, state fixed-line monopolist UkrTelecom remains the sole operator in Ukraine with a 3G mobile license, though it offers no mobile services. The NCRC justified its license refusals by stating it had already licensed a portion of the available 3G frequency range to UkrTelecom, and that the Ukrainian military had not authorized additional frequencies to be converted to commercial use.

12. (SBU) Telenor country director Sigmund Ekhougan told EconOff on November 28 that the designated 3G range of 1.9 - 2.2 GHz was large enough for all Ukraine's mobile operators to use, without the Ukrainian military converting additional frequencies. (Note: Norway's Telenor owns 57% of KyivStar -- Ukraine's #1 mobile operator.) The NCRC refused to grant additional 3G licenses, Ekhougan said, so that UkrTelecom could gain a foothold in the mobile market as sole provider of 3G services, and increase its market value ahead of its expected, but long-postponed, privatization. (Note: 97% of Ukraine's radio frequencies remains under control of the military as a hold-over from the Soviet Union. Ekhougan conceded the military needed assistance in converting these frequencies to commercial use, but maintained there was no technical justification to deny mobile operators 3G licenses within the existing commercially-designated range.)

13. (U) UkrTelecom announced on November 3 plans to launch 3G mobile service on March 1, 2007, which would be 15 months from the time it received its license. UkrTelecom expects to invest \$130 million in developing its mobile communications in 2007, with a total projected investment of \$680 million. Nokia will be UkrTelecom's main mobile equipment supplier.

Comment

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14. (SBU) Most observers believe an exclusive 3G license, along with higher fixed-line rates that went into effect June 15, are part of a GOU plan to increase UkrTelecom's profitability so it could fetch a more attractive price if privatized. UkrTelecom announced on November 27 third quarter profits of 120.5 UAH (\$24 million), which is a 264% increase over the company's second quarter profits of 33.1 million UAH (\$6.6 million). GOU has not announced a privatization timetable for UkrTelecom, although President Yushchenko spoke in favor of the privatization November 27 at a speech before the Union of Industrialists and Entrepreneurs.

TAYLOR